

## STOCK MARKET PROBABILITIES.

The characteristic of last week's stock market was a dullness approaching stagnation. The aggregate sales were a little more than 1,500,000 shares, against the 3,200,000 shares of the week ending April 12, and the fluctuations in prices were confined within narrow ranges of from 2 to 5 points, whereas during the week ending March 26 stocks fell, in some cases, 10 points, and rose again, the week following, as much as they had fallen. It is noticeable, too, that both the fall and the recovery from it were not justified, as they would have been last week, by facts, but were the result of panic, the fall being produced by the fright of buyers for a rise and the recovery by a similar fright among sellers. On the other hand, however, of some selling, which was not followed by a recovery, nothing had then happened which indicated the immediate breaking out of a war between this country and Spain, whereas, now, such an event has, by the action of Congress, been rendered almost inevitable. In the event of such a war, however, "bear" operators have been more cautious than they were, and so have those for a rise, while investors have been idle, waiting for a clearer view of the future.

What this future will be still involved in uncertainty. It depends upon the action of masses of human beings, and, therefore, it is not subject to calculation. The astronomer can calculate the times of the ocean, the eclipses of the sun and the moon, and the conjunctions of the planets, because he knows the elements of the problems involved and can rely upon their immutability; but, in the case of human conduct, our comprehension of the elements affecting it is imperfect, and the mode in which they will operate is uncertain. If, with the aid of telegraphic information from hundreds of observers, it is difficult to forecast the weather correctly twenty-four hours in advance, we cannot expect to forecast with any accuracy the course of the conflict of passions and opinions of millions of human beings, the workings of whose minds are concealed from our scrutiny. The best we can do is to judge of probabilities.

It is precisely this difficulty of seeing into the future which makes the majority of men so ready to follow the lead of the market, and so wise enough or conceited enough to give them advice. Mere subordinates must, of course, obey their superiors, but most even of those who are not compelled to do so as they are bid would rather be guided by the judgment of others than extend their own. In the case of the market, it is deciding that inaction is preferable to action, and from making this decision people shrink as much as they do from making one which requires them to act positively. The unconsciousness of the advantage of this weakness for their own benefit; the conscientious merely observe and deplore it.

As a general rule, it may be said, that the value of a moneyed security depends upon the amount of income it yields and upon the certainty of the continuance of that income during the period for which it is promised. Thus, the value of a bond or a stock promising 5 per cent. per annum is less than that of one yielding 6 per cent., than one promising 4 per cent., but if the 5 per cent. is to be paid during, say, only five years, while the 4 per cent. is to be paid for ten years, then the 4 per cent. security is the more desirable. Or, if the 5 per cent. is liable to be suspended or stopped altogether at any time, it is worth less than one yielding 4 per cent. if the payment is assured. This is the reason why a Government bond at 4 per cent., having twenty-seven years to run, sells for more than one bearing the same interest, but liable to be paid off in nine years, and why both stand nearly as high as the 100 per cent. Government six years hence. All classes of Governments, too, are more highly esteemed than the bonds of railroad companies in doubtful credit which promise the same or even greater income and for a longer period, and stocks, the dividends upon which are uncertain.

Beyond these considerations, however, supply and demand are important factors in determining prices. Even Governments, when they are pressed for sale, or when, as at present, new issues of them are expected, can be bought more cheaply than when there are few of them in the market or when there is an unusual demand for them by investors. Twenty years ago, when great activity in railroad building prevailed, and when large quantities of railroad bonds were offered to purchasers, their price was extremely low in comparison with that which they command now. So, too, the Government bonds issued in 1894, 1895, and 1896 are even now bringing much higher prices than those which the Government received for them.

The owner of a security who decides not to sell it virtually decides to buy it at the price at which he could sell it, and the owner of money who decides not to buy virtually decides to sell it at the price at which he could buy. The question, therefore, which every capitalist is at all times, whether to answer, "he his capital invested or not," is whether he will buy or sell, or, in other words, whether he will do better by waiting, than by buying or by selling at the moment, or by continuing to hold the security, or by seeking investment in a likely security, or by the demand for it to diminish, he will buy, now, or keep what he has already bought. If he concludes that there will soon be less capital in the market or more good securities, he will either sell, or refrain from buying, so as to be prepared to buy when prices are more favorable to him.

The theory upon which prices in the stock market fall in consequence of rumors of an impending war and rise with improved prospects of peace, is, that war is supposed both to increase the demand for capital and to diminish the supply of it, whereas peace will, it is thought, at least increase the supply of capital. If it does not lessen the demand for capital, it means the destruction of wealth, while peace means its preservation. War compels the Government to compete for money with other borrowers and thus raises the rate of interest, whereas if peace continues this competition will be withheld while that between lenders will be unabated. War, too, tends to check the addition of fresh capital to that already existing, while peace promotes that addition. Moreover, so long as it remains uncertain whether we shall have peace or whether we shall have war, lenders will virtually assume that we are going to have war, and will, therefore, pay a low price for securities, and will thus compel borrowers to pay higher rates of interest, and this tends to depress the prices of stocks.

An interesting illustration, by the way, of the effect which competition between capitalists for the employment of their capital has in reducing the rate of interest is presented by the experience of the Government of Great Britain during the Ministry of Sir Robert Walpole, a century and a half ago. The debt of the United Kingdom was then only about \$50,000,000, and it bore interest at the rate of 4 per cent. per annum. So prosperous were the trade and manufactures of the British people, and so severe had been the lesson of the South Sea bubble, that their surplus capital could not readily be well invested, and a proposition was made to refund the public debt at 3 instead of 4 per cent. A bill for this purpose was introduced in the House of Commons, and, on its first reading, by a large majority, it was passed. It was, however, the debt was largely held by friends of Sir Robert Walpole and by members of the royal family, so that from motives of personal interest he vetoed his usual act of corruption, and the bill was defeated. Otherwise it would have become a law.

The public debts of Great Britain and of other civilized nations, including our own, have immensely increased in volume since Sir Robert Walpole's time, but the wealth of the world has increased in so much greater a ratio that much interest on the debt now pays only 2 1/2 per cent. to its holders, the French less than 3 per cent., and ours, until this war with Spain, scarcely more than 4 per cent. Other first-class securities were rapidly approaching the same level, as is indicated by the premium paid for the new 3 1/2 per cent. bonds of the Lake Shore Company. In the case of the New York Central Railroad Company, however, there were, therefore, until lately, justified both in holding securities and in charging when interest rates were higher, and in adding more to them at advanced prices. They have stopped doing this for the present, and evidently hesitate to resume their operations.

The question is doubt not so much whether we shall or shall not go to war with Spain—as

may safely be assumed that we shall, if not immediately, then later—how long the war will last, how much it will cost, and how the cost will be met, should the war end, as there is reason to believe it will end, after one or two great naval battles, then the cost of it will not exceed the \$50,000,000 already voted for its prosecution from the money now in the Treasury, and neither new taxes nor a new Government loan will be needed. Moreover, the disbursement of this \$50,000,000 will add that amount to the floating capital of the country, and tend to raise the prices of securities. Should, however, the war be more protracted, it will lead to a heavier expenditure, and if bonds are issued to pay for it the prices of securities will fall. On the other hand, if the money is raised by taxation, and not by the sale of bonds, the prices of securities will not fall and more probably will rise.

On the whole, the probabilities, allowing for those growing out of the impending war with Spain, are, at present, in favor of a higher stock market. Capital is abundant, in even part of the civilized world, and it increases faster than do the opportunities for its employment. The annual addition to the general stock of gold becomes greater year by year, and will soon convert the long-continued fall in the price of commodities into a rise, which, already, has led the turn of the tide, with the result of adding \$50,000,000 to our share of the metal. Nothing but long-continued and exhausting war expenditures can defeat these favoring influences, and such expenditures are at present not threatened. Then, too, there is the possibility that, after all, war may be averted, and whenever that becomes evident a vigorous rise will be sure to take place.

MATTHEW MARSHALL.

## FINANCIAL AND COMMERCIAL.

New York Stock Exchange—Sales and Balance of Prices on All Securities Dealt In During the Week Ending April 16, 1909.

UNITED STATES AND STATE BONDS (in \$1,000s).

Sales.	Name.	Open.	High.	Low.	Close.
41000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2

RAILROAD AND OTHER BONDS (in \$1,000s).

Sales.	Name.	Open.	High.	Low.	Close.
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2

As a general rule, it may be said, that the value of a moneyed security depends upon the amount of income it yields and upon the certainty of the continuance of that income during the period for which it is promised.

Sales.	Name.	Open.	High.	Low.	Close.
47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2
47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2
47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2
47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2
47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2

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41000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2

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682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
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47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2
47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2
47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2

UNITED STATES AND STATE BONDS (in \$1,000s).

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41000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2

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682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
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47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2
47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2
47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2
47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2

UNITED STATES AND STATE BONDS (in \$1,000s).

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41000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2

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Sales.	Name.	Open.	High.	Low.	Close.
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
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47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2
47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2
47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2
47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2

Sales.	Name.	Open.	High.	Low.	Close.
15	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
15	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
15	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
15	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
15	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2

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682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
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47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2
47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2
47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2
47	B. & O. P. 4 1/2	100 1/2	101 1/2	100 1/2	101 1/2

UNITED STATES AND STATE BONDS (in \$1,000s).

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41000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2
18000	U.S. 4 1/2	107 1/2	108 1/2	107 1/2	108 1/2

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682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2
682	Atchafalpa 4 1/2	99 1/2	100 1/2	99 1/2	100 1/2

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100 C. Ind & L p...	23	23	23	
600 Del & Hudson...	108	108 1/2	106 1/2	106 1/2
8450 Detroit Gas...	61 1/2	62	51	61
800 Denver & R G...	11 1/2	11 1/2	11 1/2	11 1/2
70 Den & R G p...	44	44	42 1/2	42
690 Erie R R...	12 1/2	12 1/2	12	12 1/2
850 Erie R R 1st pf.	33	33	32	32 1/2
800 Erie R R 2d pf.	16 1/2	16 1/2	16	16
84 Edison El...	118	121	118	121